

III. BUDGET MANAGEMENT

1. Appropriation Distribution and Work Programs

After the legislative session, the Court Finance Department develops a detailed spending plan or work program reflective of the appropriation. The initial work program must reflect the appropriations decisions made by the Legislature. Subsequent work programs, however, may be amended to reflect the policy decisions of the Judicial Council.

Initial Work Program: The Court Finance Department develops, by program level and object of expenditure, the formal initial work program based upon the Appropriation Act. The Court Finance Department then submits the initial work program to the State Department of Finance by April 10 (actual date varies from year to year). The allocation of funds for each court location (or district) is set by this date. However, changes within a district may be made through amended work programs after this date.

Court Administrator's Executive Budget Committee Review and Amended Work Programs: At the end of April, and after the Initial Work Program is developed by the Finance Department, the Executive Budget Committee reviews the work program to ensure that the objectives set by the Judicial Council have been incorporated into the budget. This committee is the same group that does the review for the Court Administrator's Analysis in late July. The committee is reorganized each year to give all Court Executives an opportunity to sit in on the process. In addition to the review of the Work Program for compliance with Judicial Council Objectives, the Work Program is reviewed to identify any "hot spots". If there is any additional funding available, the committee recommends to the Court Administrator where the funds should be allocated. The Court Administrator then takes these recommendations to the Judicial Council for their approval. Adjustments to the original work program (which do not include increases) are then submitted to Court Finance for processing. Any increases authorized by the Judicial Council are then included in the work programs and the Court Finance Department makes the "on-line" adjustments in FINET.

The final adjustments to FI-NET can be made between May 1 and June 30. These constitute the "original" budget flags, and all future adjustments are measured against the original flags.

Subsequent Budget and Work Program Change Procedures:

(a) Court Executive Discretion:

Once the work program is established for the fiscal year, changes may occur which will increase or decrease individual low org budgets. These changes amend the work program. During the first three-quarters of the fiscal year, the Court Executive may authorize a transfer of up to \$5,000 per quarter between sub-programs (low ORGs) of any court within their Judicial District. These changes are accomplished by submitting a request to the Court Finance Department. The request must include an explanation of the reason for the transfer of funds, which account in the transferring low org to reduce and which in the receiving low org to increase. Adjustments to the work programs should be submitted (see Courts Accounting manual for format) by October 15, January 15, and April 15.

(b) FTE/Funding Shifts within Program Budgets:

During the first three-quarters of the fiscal year, the State Level Administrators may authorize a transfer of up to \$10,000 per quarter between sub-programs (low ORGs) of each court within their Jurisdiction. The State Level Administrator shall consult with the Court Executive on any change prior to occurrence. These changes must then be sent by memorandum to the Court Finance Department and the Court Executive as they occur. The memorandum must include an explanation of the reason for the transfer of funds, which account in the transferring low org to reduce and which in the receiving low org to increase. Adjustments to the work programs will be made on October 1, January 1, and May 1. With approval of the Deputy Court Administrator, State Level Administrators may shift funds in excess of \$10,000 and FTE within their program budgets with a written directive given to the Court Director of Finance and a copy of the directive sent to the appropriate Court Executives.

(c) FTE/Funding shifts between program budgets:

The Deputy Court Administrator, in consultation with the State Court Administrator and the State Level Administrators, may authorize fund and FTE shifts among the various program budgets, but must notify the impacted Court Executive prior to the actual transfer of funds and/or FTEs.

The Court Administrator and Deputy Court Administrator shall determine circumstances in which prior approval shall be obtained from the Judicial Council or a Board of Judges prior to amending the program budgets (Rule 3-406-2(B)(2)).

(d) Reconciliation:

The Court Director of Finance shall maintain a record of all funding and FTE shifts for each program and sub-program (low ORG) level in order to provide a reconciliation to the appropriated level. The Court Director of Finance shall make recommendations as necessary to accommodate funding needs within the Judicial Branch.

Note: For a review of the structure of program and sub-program budgets (ORG Structure), refer to Appendix E.

Budget Monitoring Report (FINET CD):

Early each month, the Court Director of Finance has Data Processing make the FI-NET report available online. This report notes expenditures against the budget: detailed information is available for each low org as to expenditures in the reports. In addition, all expenditure documents are scanned into the system and are available for online review.

2. Discretionary Funds

Two Percent Set a Side - As of July 1, two percent of the general fund appropriation for personnel services is placed in a separate reserve account by the Court Director of Finance. This money represents the projected savings likely to occur in the personnel services budget statewide based upon employee turnover and delays in hiring. This reserve account is commonly referred to as the "two percent set aside." Two percent set aside funds are controlled by the State Court Administrator, under direction of the Judicial Council, and represent the only discretionary monies available to the court system. These funds are included in the State Court Administrator's recommendations to the Judicial Council and are part of the Council's approved spending plan. It is important to note that the Judicial Council controls not only the two percent set aside account, but the personnel services budget as a whole. For example, any savings realized in an individual district's personnel services budget inures to the benefit of the Judicial Council, not the individual district. In recent years, the Judicial Council has been forced to use most of the two percent set aside to fund items that the Legislature has declined to fund.

By way of example, the two percent set aside has been used to fund the following items:

1. Deficit in base budget
2. Career ladder advancements
3. Special adjustments (e.g. as when an employee is hired above entry level)
4. Salary survey adjustments
5. Promotions
6. Incentive awards (when given)
7. Educational system
8. Inflation
9. Emergencies
10. Capital Needs

Once the Judicial Council has made a determination as to funding for any of the above-described items, the Council may determine to allocate funds back to the local districts. The determination as to the allocation of funds back to the local districts generally occurs by March 1. Prior to this date, the State Court Administrator's Executive Budget Committee meets to discuss the amount of funds in the two percent set aside account that are available for allocation to local districts. At this meeting, the committee makes funding recommendations or advocates particular uses for the funds. The committee's recommendations are then submitted to the Judicial Council for Council action. When the Council acts, the decisions(s) are incorporated into the budget and the various districts/boards/committees are notified of the Council's action.

One percent Set a Side – (This is an optional program which operates only when authorized by the Court Executives). The Court Executives have determined that one percent of the General Fund allocated to Travel and Current Expense should be held aside for their future determination as to expenditure. Those funds are held in a separate low ORG pending their determination.

After the Work Program has been distributed to the Court Executives in late April, early May, the Court Executive is responsible for identifying the ORG and Account from which the funds are to be transferred to meet the One percent Set a Side policy. The Court Finance Department has developed the format in which the reduction and redistribution is to be done. Until all of the Court Executives have submitted the form in the proper format, no redistribution will occur.

In a time frame established by the Court Executives, the funds are re-distributed to meet the needs of any or all locations. The decision is solely the responsibility of the Court Executives. The Administrative Office, Data Processing, Grants, State Supervision, and special accounts are not part of the one percent Set a Side program.

3. Management Information Reports

Currently, four reports are provided on a monthly basis to State Level Administrators and Court Executives. These reports are described below. The AM01 and AM02 are currently provided in the FINET CD which is an online report.

(1) Expenditure Summary within Organization (AM02). This FINET report provides information at the District and low org level. Expenditure totals by category (personal services, travel, current expense, etc.) and objects are provided. This report shows the current work program or authorized budget, current month expenditures, and year to date expenditures. Also included is the remaining budget in terms of dollars, and percent of budget remaining. It is a summary reference to the status of the budget year to date. (Refer to Appendix F, for sample report.)

(2) Monthly Expenditure Transaction Detail within Organization (AM01). This FINET report provides a quick reference of every warrant, or other transaction, for each low org (sub-program level). This enables the Court Executive to track any possible errors in billing from inter-account transfers, possible double payments, or charges to the wrong low org. (Refer to Appendix G for sample report.)

(3) PCN/FTE Report. This report is provided semi-annually. Each Court Executive should review this report to ensure that all PCNs (Position Control Numbers) are accurate and that the FTE count is correct. This report is the basis upon which funding is allocated to each individual district in the initial work program established in the March/April time frame, and by which the discretionary funds withheld for future re-allocation are re-distributed. (Refer to Appendix H for sample of report.)

(4) Special Funds Report. The Juvenile Court has several special fund accounts. Non-Judicial, Graffiti, Community Service, and TAG are but a few. Each month the Finance Department prepares a report noting the revenue and expenditures for these accounts and provides them to the Court Executive. Other reports on Restricted Accounts are also prepared and provided to the appropriate manager. (Refer to Appendix I for a sample of these reports.)

4. Financial Control over spending

The operating budget consists of planned expenses and expected outputs. The presumption is that management wants the organization to operate in a way that is consistent with this spending plan, *unless* there is a good reason to depart from it. This qualification is important, for it means that the control process is necessarily more complicated than simply insisting that personnel do what the budget prescribes. The purpose of the management control process is to assure that objectives are accomplished effectively and efficiently.

Therefore, Court Executives, State Level Administrators, Court Clerks, and others authorized to make expenditures, should periodically reconcile the Management Information Reports (listed above) to their records. To assist in this process, the *Court Accounting Manual* includes sections on Reconciliation, Purchasing, Travel, Petty Cash, Meals and Refreshments, and other categories. The Accounting Manual should be the first reference source when determining whether an expenditure is authorized. If questions arise concerning policy or procedure, either the Court Finance Department or Purchasing Department should be contacted.